

**Statement by Senate Budget Committee Chairman Kent Conrad (D-ND) on
the Bush Administration's Announcement of \$159 Billion Deficit for 2002
October 25, 2002**

The Bush administration has now officially announced that the deficit for 2002 will be \$159 billion. This is a sad reminder of how far our nation's finances have fallen since the Bush administration took office.

The sudden return to red ink follows a period of unparalleled fiscal strength and vitality, where we enjoyed four straight years of budget surpluses. This is not only the first deficit since 1997, but the largest deficit since 1995. Sadly, this year alone, we have witnessed a nearly \$300 billion swing in the nation's balance sheet, from the \$127 billion surplus recorded last year to today's \$159 billion deficit. Much of the 2002 deficit can be attributed to a big drop in revenues caused by the economic slowdown and tax cuts. In fact, the Treasury Department experienced the largest percentage drop in revenues in 56 years, with revenues falling nearly 7 percent in just one year.

But looking just at 2002 misses the point. We all accept that the economic downturn and war on terrorism have been major factors reducing the surplus this year. The real problem occurs in future years, when the expensive provisions of the Bush tax cut kick in. It is the cost of those provisions – that will benefit only a small group of the wealthiest in this country – that will keep us deep in deficit right as the baby boom generation begins to retire.

Over the ten-year period between 2002 and 2011, the previously projected \$5.6 trillion surplus almost disappears, and if we implement the President's proposed policies, it becomes a \$400 billion deficit. The outlook only worsens in the following decade if we make the Bush tax cut permanent. That will cost \$4 trillion at the very time the government will be strapped for funds to pay the promised Social Security and Medicare benefits for record numbers of baby boomers.

This announcement reminds us, in no uncertain terms, that the era of surpluses is over. Sadly, the Bush administration has no plan to put an end to this new era of deficits. In fact, the Bush economic plan will only drive us deeper into deficits for as far as the eye can see.